VALLEY COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS

BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

SCHEDULE OF FINDINGS

JUNE 30, 2015

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VALLEY COMMUNITY SCHOOL DISTRICT

OFFICIALS

Name	Title	Term Expires
	BOARD OF EDUCATION	
Mark Howard	President	2017
Dawn Daughton	Vice President	2015
Stacy Cummings	Board Member	2015
Eileen Schlawin	Board Member	2015
Debra Loftsgard	Board Member	2017
	SCHOOL OFFICIALS	
Duane Willhite	Superintendent	Indefinite
Melissa Fettkether	District Treasurer and Business Manager	Indefinite
Carole Nading	District Secretary	Indefinite
Steven A. Wiedner	Attorney	Indefinite

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CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Valley Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Valley Community School District, Elgin, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards required that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion,. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Valley Community School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of a Matter

As discussed in Note 15 to the financial statements, Valley Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions, and the Schedule of Funding Progress for the Retiree Health Plan on pages 8 through 18 and 55 through 61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Valley Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedule 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements taken as a whole.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 20, 2015 on our consideration of Valley Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Valley Community School District's internal control over financial reporting and compliance.

Elkader, Iowa

November 20, 2015

Dietz, Donald & Company

Dietz, Donald & Company
Certified Public Accountants
FEIN 42-1172392

Valley Community School District

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Duane Willhite, Superintendent
Betsy Nefzger, Instructional Principal and Curriculum Director
Sharon Rich, School Administrator Manager

Valuing the Past...
.....Looking to the Future!

MANAGEMENT'S DISCUSSION AND ANALYSIS

Valley Community School District provides this Management's Discussion and Analysis of its financial statements. The narrative overview and analysis of the financial statements is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from $ 5,572,923 in fiscal year 2014 to $ 5,476,526 in fiscal year 2015, while General Fund expenditures increased from $ 5,288,436 to $ 5,630,732. The District's General Fund balance decreased from $ 1,046,204 at the end of fiscal year 2014 to $ 891,998 at the end of fiscal year 2015, a 14.7% decrease.
- The fiscal year 2015 General Fund revenue decrease was attributable to decreases in categorical state grants. The increase in expenditures was due to increases in expenditures for instruction. The decrease in General Fund balance was $ 154,206 in fiscal 2015 compared to an increase of $ 284,487 in fiscal year 2014.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Valley Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Valley Community School District's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statement provides information about activity for which Valley Community School District acts solely as an agent for the benefit of those outside the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds.

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses were accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

Governmental activities: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.

Business type activities: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

1. Governmental funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

   The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund.

   The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

2. Proprietary funds: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund is the same as its business type activities but provides more detail and additional information, such as cash flows. The District's Enterprise Fund is the School Nutrition Fund.

   The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

3. Fiduciary funds: The District is the trustee, or fiduciary, for assets that belong to others. The District currently has one Fiduciary Fund, an Agency Fund. Agency Funds are funds through which the District administers and accounts for assets that belong to others as a fiscal agent.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The table below provides a summary of the District's net position at June 30, 2015 compared to June 30, 2014.

Condensed Statement of Net Position
(Expressed in Thousands)

	Governmental Activities June 30 2015	Governmental Activities June 30 2014 (not restated)	Business Type Activities June 30 2015	Business Type Activities June 30 2014 (not restated)	Total District June 30 2015	Total District June 30 2014 (not restated)	Total Change June 30 2014-15
Current and other assets	$ 5,609	5,208	34	31	5,643	5,239	7.8%
Capital assets	4,138	4,240	7	9	4,145	4,249	-2.4%
Total assets	9,747	9,448	41	40	9,788	9,488	3.2%
Deferred out flows of resources	327	0	12	0	339	0	100.0%
Long-term liabilities	2,846	1,427	66	0	2,912	1,427	104.1%
Other liabilities	1,201	997	19	21	1,220	1,018	19.8%
Total liabilities	4,047	2,424	85	21	4,132	2,445	69.0%
Deferred inflows of resources	2,732	1,829	28	0	2,760	1,829	50.9%
Net position:							
Invested in capital assets, net of related debt	3,682	3,759	7	9	3,689	3,768	-2.1%
Restricted	1,040	878	0	0	1,040	878	18.5%
Unrestricted	(1,427)	558	(67)	10	(1,494)	568	-363.0%
Total net position	$ 3,295	5,195	(60)	19	3,235	5,214	-38.0%

The District's total net position decreased 38.0%, or approximately $1,979,000 from the prior year. The largest portion of the District's net position is invested in capital assets (e.g. land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased approximately $ 162,000 or 18.5%. The increase was primarily a result of an increase in net position restricted for the required bond reserve.

Unrestricted net position - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased approximately $ 1,985,000 or 363.0%. This reduction in unrestricted net position was primarily a result of the District's net pension liability recorded in the current year.

Governmental Accounting Standards Board Statement No. 68 Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by $ 2,149,416 and $ 77,425, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred out flows of resources related to contributions made after June 30, 2013, but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expenses was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

The following table shows the changes in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

	Governmental Activities 2015	Governmental Activities 2014 (not restated)	Business Type Activities 2015	Business Type Activities 2014 (not restated)	Total District 2015	Total District 2014 (not restated)	Total Change 2014-15
Changes in Net Position (Expressed in Thousands)							
Revenues:							
Program revenues:							
Charges for service	$ 1,386	1,389	118	120	1,504	1,509	-0.3%
Operating grants and contributions	685	741	127	123	812	864	-6.0%
Capital grants and Contributions	74	302	0	0	74	302	-75.5%
General revenues:							
Property tax	1,759	1,630	0	0	1,759	1,630	7.9%
Statewide sales, services and use tax	315	361	0	0	315	361	-12.7%
Income tax surtax	185	138	0	0	185	138	34.1%
Unrestricted state grants	1,871	1,899	0	0	1,871	1,899	-1.5%
Unrestricted investment Earnings	13	14	0	0	13	14	-7.1%
Other	23	19	1	0	24	19	26.3%
Total revenues	6,311	6,493	246	243	6,557	6,736	-2.7%
Program expenses:							
Governmental activities:							
Instruction	4,178	4,047	0	0	4,178	4,047	3.2%
Support services	1,552	1,530	0	0	1,552	1,530	1.4%
Non-instructional programs	1	2	238	242	239	244	-2.0%
Other expenses	340	330	0	0	340	330	3.0%
Total expenses	6,071	5,909	238	242	6,309	6,151	2.6%
Change in net position	240	584	8	1	248	585	-57.6%
Net position beginning of year, As restated	3,055	4,611	(68)	18	2,987	4,629	-35.5%
Net position end of year	$ 3,295	5,195	(60)	19	3,235	5,214	-38.0%

In fiscal year 2015, property tax and unrestricted state grants accounted for 55.4% of governmental activities revenue while charges for service and operating grants and contributions accounted for 99.6% of business type activities revenue.

The District's total revenues were approximately $ 6.56 million of which approxi-ately $ 6.31 million was for governmental activities and approximately $ 246,000 was for business type activities.

As shown on the previous page, the District as a whole experienced a 2.7% decrease in revenues and an 2.6% increase in expenses. The increase in expenses is related to increases in negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were $ 6,310,576 and expenses were $ 6,070,528 for the year ended June 30, 2015. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Total and Net Cost of Governmental Activities
(Expressed in Thousands)

	Total Cost of Services			Net Cost of Services		
	2015	2014 (not restated)	Change 2014-15	2015	2014 (not restated	Change 2014-15
Instruction	$ 4,178	4,047	3.2%	$ 2,391	2,213	8.0%
Support services	1,552	1,530	1.4%	1,449	1,418	2.2%
Non-instructional	1	2	-50.0%	1	2	-50.0%
Other expenses	340	330	3.0%	84	(155)	154.2%
Total	$ 6,071	5,909	2.7%	$ 3,925	3,478	12.9%

For the year ended June 30, 2015:

The cost financed by users of the District's programs was $ 1,386,197.

Federal and state governments subsidized certain programs with grants and contributions totaling $ 758,861.

The net cost of governmental activities was financed with $ 2,258,548 in property and other taxes and $ 1,871,369 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2015 were $ 245,799, representing a 1.2% increase from the prior year, while expenses totaled

$ 238,235, a 1.4% decrease from the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Valley Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of $ 2,459,387, an increase over last year's ending fund balances of $ 2,384,668.

Governmental Fund Highlights

The General Fund balance decreased from $ 1,046,204 to $ 891,998, primarily due to revenues remaining stagnant, but expenditures increasing $ 342,296.

The Capital Projects Fund balance increased $ 213,444 from $ 1,231,528 in fiscal year 2014 to $ 1,444,972 in fiscal 2015, primarily due an increase in the required bond reserve and only spending half of the current year's PPEL revenue.

Proprietary Fund Highlights

School Nutrition Fund net position improved from $ (67,833) at June 30, 2014 to $ (60,269) at June 30, 2015, representing an increase of approximately 11%. The District reflected a decrease in related expenses for the net pension liability, which caused the overall improvement of net position.

BUDGETARY HIGHLIGHTS

School districts have two levels of budgetary control. One form of budgetary control exists through the "certified budget." In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except its agency fund. This is referred to as the certified budget. The certified budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's certified budget is prepared on the GAAP basis. It is certified with the County Auditor and Department of Management each year. Iowa school districts may not certify a general fund budget in excess of its spending authority.

Over the course of the year, Valley Community School District amended its budget one time to reflect additional expenditures associated with the purchase of additional laptop computers for students.

The District's revenues were $ 388,649 more than budgeted revenues, primarily due to not including the Nutrition Fund in the original budget process.

Total expenditures were $ 485,770 less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional programs functional area due to the accrual adjustments made in the School Nutrition Fund at year-end without sufficient time to amend the certified budget.

The other level of budgetary control is the "unspent (maximum) authorized budget" and pertains only to the General Fund of the District. The maximum authorized budget is the total "spending authority" in the General Fund of the District. The unspent balance is a budgetary concept and does not mean the "actual General Fund cash." It is imperative for users of District financial information to make this important distinction. The unspent balance is the amount of spending authority that is carried over into the next fiscal year. The unspent balance is a budgetary carryover and does not represent actual dollars (General Fund cash) or actual financial position (unassigned General Fund balance) of the District.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested approximately $ 4.14 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. **(See following chart.)** More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was $ 270,170.

The original cost of the District's capital assets was approximately $ 7.79 million. Governmental activities accounted for approximately $ 7.71 million with the remainder of approximately $ 0.08 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the site improvements category. Total cost for the new playground was $ 114,117, of which $ 86,724 was incurred during fiscal year 2015.

	Governmental Activities June 30, 2015	Governmental Activities June 30, 2014	Business Type Activities June 30, 2015	Business Type Activities June 30, 2014	Total District June 30, 2015	Total District June 30, 2014	Total Change June 30, 2014-15
Land	$ 33	33	-	-	33	33	0.0%
Construction in progress	-	27	-	-	-	27	-100.0%
Site improvements	208	108	-	-	208	108	92.6%
Buildings	3,686	3,786	-	-	3,686	3,786	-2.6%
Furniture and equipment	211	285	7	9	218	294	-25.9%
Total	$ 4,138	4,239	7	9	4,145	4,248	-2.4%

Capital Assets, net of Depreciation (Expressed in Thousands)

Long-Term Debt

At June 30, 2015, the District had $ 1,056,211 in long-term debt outstanding. This represents a decrease of approximately 5% from last year. **(See following chart.)**

The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately $ 6.1 million.

Outstanding Long-Term Obligations (Expressed in Thousands)

	Total District June 30, 2015	Total District June 30, 2014	Total Change June 30, 2014-15
Capital loan notes	$ 1,000	1,000	0.0%
Capital leases	56	107	-47.7%
Totals	$ 1,056	1,107	-4.6%

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances which could significantly affect its financial health in the future:

- The District has entered into a whole grade sharing agreement with the North Fayette Community School District effective July 1, 2013 and shall terminate June 30, 2018 unless terminated sooner by majority vote of either Board of Education, extended longer by majority vote of either Board of Education, or terminated by operation of law. During the term of this agreement, each district shall maintain its own Pre-kindergarten through sixth grade. Grades seven and eight from both school districts will be located in the Valley Community School facility, while grades nine through twelve from both school districts will be located in the North Fayette Community High School facility. Both districts agree that arrangements for Special Education students will be made separately and bill back to the resident district as actual costs.

- Taxable valuations increased approximately 3.0%. This, along with a 2.3% increase in tax rates, will cause budgeted property tax revenues to increase 5.2% or approximately $ 93,000.

- The District expects the downward trend in enrollment to continue and foundation aid is budgeted to decrease approximately $ 28,000.

- Taking all of the above into account, ending fund balance is budgeted to decrease approximately $ 621,000.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Melissa Fettkether, Business Manager/District Treasurer.

BASIC FINANCIAL STATEMENTS

VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
Year Ended June 30, 2015

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash, cash equivalents and pooled investments	$ 2,912,764	20,930	2,933,694
Receivables:			
Property tax:			
Delinquent	28,998	-	28,998
Succeeding year	1,765,958	-	1,765,958
Accounts	-	825	825
Due from other governments	900,988	-	900,988
Inventories	-	12,912	12,912
Capital assets, net of accumulated depreciation	4,138,119	6,725	4,144,844
TOTAL ASSETS	9,746,827	41,392	9,788,219
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	327,190	11,786	338,976
LIABILITIES			
Accounts payable	114,413	-	114,413
Salaries and benefits payable	448,346	15,103	463,449
Due to other governments	636,322	-	636,322
Unearned revenue	-	3,600	3,600
Accrued interest payable	1,602	-	1,602
Long-term liabilities:			
Portion due within one year:			
Capital lease obligation	27,711	-	27,711
Early retirement	65,715	-	65,715
Compensated absences	3,995	-	3,995
Portion due after one year:			
Capital lease obligation	28,500	-	28,500
Notes	1,000,000	-	1,000,000
Early retirement	27,428	-	27,428
Net pension liability	1,516,292	54,618	1,570,910
Net OPEB liability	176,183	11,945	188,128
TOTAL LIABILITIES	4,046,507	85,266	4,131,773
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenue	1,765,958	-	1,765,958
Unavailable income tax surtax revenue	184,282	-	184,282
Pension related deferred inflows	782,308	28,181	810,489
TOTAL DEFERRED INFLOWS OF RESOURCES	2,732,548	28,181	2,760,729

(continued)

VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
Year Ended June 30, 2015

	Governmental Activities	Business Type Activities	Total
NET POSITION			
Net investment in capital assets	3,681,708	6,725	3,688,433
Restricted for:			
Categorical funding	128,121	-	128,121
Debt service	545,031	-	545,031
Management levy purposes	83,569	-	83,569
Student activities	38,848	-	38,848
Physical plant and equipment	244,469	-	244,469
Unrestricted	(1,426,784)	(66,994)	(1,493,778)
TOTAL NET POSITION	$ 3,294,962	(60,269)	3,234,693

See notes to financial statements.

Exhibit B

VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
FUNCTIONS/PROGRAMS:							
Governmental activities:							
Instruction:							
Regular	$ 2,935,278	975,648	314,819	-	(1,644,811)	-	(1,644,811)
Special	1,151,702	313,929	151,020	-	(686,753)	-	(686,753)
Other	91,107	31,497	425	-	(59,185)	-	(59,185)
	4,178,087	1,321,074	466,264	-	(2,390,749)	-	(2,390,749)
Support services:							
Student	113,916	1,102	11,629	-	(101,185)	-	(101,185)
Instructional staff	256,086	59,462	24,990	-	(171,634)	-	(171,634)
Administration	428,612	-	-	-	(428,612)	-	(428,612)
Plant operation and maintenance	499,785	250	-	-	(499,535)	-	(499,535)
Transportation	252,960	4,309	200	-	(248,451)	-	(248,451)
	1,551,359	65,123	36,819	-	(1,449,417)	-	(1,449,417)
Non-instructional programs	1,368	-	-	-	(1,368)	-	(1,368)
Other expenditures:							
Facilities acquisition	2,935	-	-	73,994	71,059	-	71,059
Long-term debt interest	923	-	-	-	(923)	-	(923)
AEA flowthrough	181,784	-	181,784	-	-	-	-
Depreciation (unallocated)	154,072	-	-	-	(154,072)	-	(154,072)
	339,714	-	181,784	73,994	(83,936)	-	(83,936)
Total governmental activities	6,070,528	1,386,197	684,867	73,994	(3,925,470)	-	(3,925,470)
Business type activities:							
Support services:							
Administration	106	-	-	-	-	(106)	(106)
Non-instructional programs:							
Food service operations	238,129	117,945	126,530	-	-	6,346	6,346
Total business type activities	238,235	117,945	126,530	-	-	6,240	6,240
TOTAL	$ 6,308,763	1,504,142	811,397	73,994	(3,925,470)	6,240	(3,919,230)
GENERAL REVENUES:							
Property tax levied for:							
General purposes					1,665,608	-	1,665,608
Capital outlay					93,419	-	93,419
Statewide sales, service and use tax					314,529	-	314,529
Income tax surtax					184,992	-	184,992
Unrestricted state grants					1,871,369	-	1,871,369
Unrestricted investment earnings					12,536	47	12,583
Other					23,065	1,277	24,342
TOTAL GENERAL REVENUES					4,165,518	1,324	4,166,842
Change in net position					240,048	7,564	247,612
Net position beginning of year, as restated					3,054,914	(67,833)	2,987,081
Net position end of year					$ 3,294,962	(60,269)	3,234,693

See notes to financial statements.

VALLEY COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	General	Capital Projects	Nonmajor	Total
ASSETS				
Cash, cash equivalents and pooled investments	$ 1,266,325	1,474,159	172,280	2,912,764
Receivables:				
Property tax:				
Delinquent	23,675	1,519	3,804	28,998
Succeeding year	1,382,554	96,598	286,806	1,765,958
Due from other funds	52,438	28,985	-	81,423
Due from other governments	831,882	69,106	-	900,988
TOTAL ASSETS	$ 3,556,874	1,670,367	462,890	5,690,131
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 53,493	59,691	1,229	114,413
Salaries and benefits payable	448,346	-	-	448,346
Due to other governments	636,322	-	-	636,322
Due to other funds	28,985	-	52,438	81,423
Total liabilities	1,167,146	59,691	53,667	1,280,504
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	1,382,554	96,598	286,806	1,765,958
Income tax surtax receivable	115,176	69,106	-	184,282
Total deferred inflows of resources	1,497,730	165,704	286,806	1,950,240
Fund balances:				
Restricted for:				
Categorical funding	128,121	-	-	128,121
Debt service	-	545,031	-	545,031
Management levy purposes	-	-	83,569	83,569
Student activities	-	-	38,848	38,848
School infrastructure	-	655,472	-	655,472
Physical plant and equipment	-	244,469	-	244,469
Assigned for:				
Pepsi grant	6,852	-	-	6,852
Spell-a-thon	20,096	-	-	20,096
Food and fitness	771	-	-	771
Green schools	6,539	-	-	6,539
Unassigned	729,619	-	-	729,619
Total fund balances	891,998	1,444,972	122,417	2,459,387
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 3,556,874	1,670,367	462,890	5,690,131

See notes to financial statements.

VALLEY COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET-
GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2015

Total fund balances of governmental funds (page 23)		$ 2,459,387
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assts in the governmental funds		4,138,119
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds		(1,602)
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds as follows:		
Deferred outflows of resources	327,190	
Deferred inflows of resources	(782,308)	(455,118)
Long-term liabilities, including notes payable, capital leases payable, compensated absences payable, early retirement payable, other post employment benefits payable and net pension liability are not due and payable in the current year and, therefore, are not reported in the governmental funds		(2,845,824)
Net position of governmental activities (page 21)		$ 3,294,962

See notes to financial statements.

VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
Year Ended June 30, 2015

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	$ 1,549,881	162,724	230,205	1,942,810
Tuition	951,572	-	-	951,572
Other	386,170	42,706	72,534	501,410
State sources	2,418,911	314,913	967	2,734,791
Federal sources	169,992	10,000	-	179,992
Total revenues	5,476,526	530,343	303,706	6,310,575
Expenditures:				
Current:				
Instruction:				
Regular	2,881,820	40,571	69,878	2,992,269
Special	1,201,696	-	-	1,201,696
Other	60,691	-	31,620	92,311
	4,144,207	40,571	101,498	4,286,276
Support services:				
Student	117,375	-	1,308	118,683
Instructional staff	252,857	8,640	1,950	263,447
Administration	422,029	-	39,715	461,744
Plant operation and maintenance	350,495	140,806	99,920	591,221
Transportation	161,985	66,893	10,258	239,136
	1,304,741	216,339	153,151	1,674,231
Non-instructional programs	-	-	1,368	1,368
Other expenditures:				
Facilities acquisition	-	39,071	-	39,071
Long-term debt:				
Principal	-	-	50,756	50,756
Interest	-	-	2,370	2,370
AEA flowthrough	181,784	-	-	181,784
	181,784	39,071	53,126	273,981
Total expenditures	5,630,732	295,981	309,143	6,235,856
Excess (deficiency) of receipts over (under) expenditures	(154,206)	234,362	(5,437)	74,719
Other financing sources (uses):				
Operating transfers in (out)	-	(20,918)	20,918	-
Change in fund balances	(154,206)	213,444	15,481	74,719
Fund balances beginning of year	1,046,204	1,231,528	106,936	2,384,668
Fund balances end of year	$ 891,998	1,444,972	122,417	2,459,387

See notes to financial statements.

VALLEY COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

Change in fund balances-total governmental funds (page 25)		$ 74,719
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:		
Expenditures for capital assets	$ 166,758	
Depreciation expense	(267,995)	(101,237)
Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position		50,756
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due		1,448
The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position		243,791
Some expenses reported in the Statment of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Early retirement	66,446	
Compensated absences	2,169	
Pension expense	(65,785)	
Other post employment benefits	(32,259)	(29,429)
Change in net position of governmental activities (page 22)		$ 240,048

See notes to financial statements.

Exhibit G

VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2015

	Enterprise, School Nutrition
ASSETS	
Current assets:	
Cash and pooled investments	$ 20,930
Accounts receivable	825
Inventories	12,912
Total current assets	34,667
Noncurrent assets:	
Capital assets, net of accumulated depreciation	6,725
TOTAL ASSETS	41,392
DEFERRED OUTFLOWS OF RESOURCES	
Pension related deferred outflows	11,786
LIABILITIES	
Current liabilities:	
Salaries and benefits payable	15,103
Unearned revenue	3,600
Total current liabilities	18,703
Noncurrent liabilities:	
Net pension liability	54,618
Net OPEB liability	11,945
Total noncurrent liabilities	66,563
TOTAL LIABILITIES	85,266
DEFERRED INFLOWS OF RESOURCES	
Pension related deferred inflows	28,181
NET POSITION	
Net investment in capital assets	6,725
Unrestricted	(66,994)
TOTAL NET POSITION	$ (60,269)

See notes to financial statements.

Exhibit H

VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
Year Ended June 30, 2015

	Enterprise, School Nutrition
Operating revenues:	
Local sources:	
Charges for service	$ 117,945
Other	1,277
Total operating revenues	119,222
Operating expenses:	
Support services:	
Administration	106
Non-instructional programs:	
Food service operations:	
Salaries	99,661
Benefits	31,726
Purchased services	789
Supplies	103,778
Depreciation	2,175
	238,129
Total operating expenses	238,235
Operating loss	(119,013)
Non-operating revenues:	
State sources	1,859
Federal sources	124,671
Interest income	47
Total non-operating revenues	126,577
Increase in net position	7,564
Net position beginning of year, as restated	(67,833)
Net position end of year	$ (60,269)

See notes to financial statements.

VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2015

	Enterprise, School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	116,904
Cash paid to employees for services	(137,084)
Cash paid to suppliers for goods and services	(77,503)
Net cash used by operating activities	(97,683)
Cash flows from non-capital financing activities:	
State grants received	1,859
Federal grants received	100,276
Net cash provided by non-capital financing activities	102,135
Cash flows from investing activities:	
Interest on investments	47
Net increase in cash and pooled investments	4,499
Cash and pooled investments beginning of year	16,431
Cash and pooled investments end of year	$ 20,930
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating loss	$ (119,013)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	24,395
Depreciation	2,175
Increase in accounts receivable	(378)
Decrease in inventories	1,498
Decrease in salaries and benefits payable	(1,472)
Decrease in unearned revenue	(663)
Decrease in net pension liability	(30,856)
Increase in deferred outflows of resources	(3,737)
Increase in deferred inflows of resources	28,181
Increase in other postemployment benefits	2,187
Net cash used by operating activities	$ (97,683)

NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2015, the District received of federal commodities.	$ 24,395

See notes to financial statements.

Exhibit J

VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2015

	Agency
ASSETS	
Cash	$ 17
LIABILITIES	
Accounts payable	17
NET POSITION	$ -

See notes to financial statements.

(1) Summary of Significant Accounting Policies

Valley Community School District is a political subdivision of the State of Iowa. The District has entered into a whole grade sharing agreement with the North Fayette Community School District. Under the terms of this agreement, each District operates its own public school for children in grades pre-kindergarten through six. Valley Community School District provides the facility for both districts for grades seven and eight. North Fayette Community School District provides the facility for both districts for grades nine through twelve. The geographic area served includes the cities of Clermont, Elgin and Wadena, Iowa and the predominate agricultural territory of eastern Fayette and western Clayton Counties and the cities and agricultural areas of the North Fayette Community School District. The District is governed by a Board of Education whose members are elected on a nonpartisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Valley Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Valley Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The District participates in two jointly governed organizations that provide services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Fayette County Assessor's Conference Board and the Clayton County Assessor's Conference Board.

B. Basis of Presentations

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

> The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.
>
> The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following major proprietary fund:

> The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports a fiduciary fund which focuses on net position and changes in net position. The District reports the following fiduciary fund:

> The Agency Fund is used to account for assets held by the District as an agent for other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications-committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year become effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1.5% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Boards of Supervisors in April 2014.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the assets or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	$ 3,000
Buildings	3,000
Improvements other than buildings	3,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	3,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Year)
Buildings	20-50
Improvements other than buildings	20-30
Furniture and equipment	3-12

Deferred Outflows of Resources - Deferred outflows of resources represent consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Unearned Revenue - Unearned revenue in the business type activities column in the government wide Statement of Net Position and in the proprietary fund financial statements consists of lunch fees collected by the District, but not used by the consumer.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-Term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities in the Statement of Net Position.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefits payments (including refunds of employees contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized as revenue until the year for which it is levied, the unamortized portion of the net difference between projected and actual earnings on pension plan investments and the change of the employer's proportionate share of the IPERS' net pension liability.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned - Amounts the Board of Education intends to use for specific purposes.

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures exceeded the amounts budgeted in the non-instructional programs function.

(2) Cash, Cash Equivalents and Pooled Investments

The District's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2015, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio which are valued at an amortized cost of $ 805,963 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAm by Standard & Poor's Financial Services.

Restricted Cash - At June 30, 2015, local banks held $ 545,031 in escrow for retirement of QZAB bonds (see Note 6).

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2015 is as follows:

Receivable Fund	Payable Fund	Amount
Capital Projects	General	$ 28,985
General	Special Revenue:	
	Management Levy	52,438
		$ 81,423

The General Fund is repaying the Capital Projects Fund for sales taxes that were initially recorded in the General Fund.

The Special Revenue, Management Levy Fund is repaying the General Fund for early retirement benefits initially recorded in the General Fund.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	$ 20,918

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 32,907	0	0	32,907
Construction in progress	27,423	0	27,423	0
Total capital assets not being Depreciated	60,330	0	27,423	32,907

Capital assets being depreciated:				
Buildings	$ 5,865,848	40,074	0	5,905,922
Site improvements	199,536	114,147	0	313,683
Furniture and equipment	1,413,517	39,960	0	1,453,477
Total capital assets being Depreciated	7,478,901	194,181	0	7,673,082
Less accumulated depreciation for:				
Buildings	2,079,971	140,392	0	2,220,363
Site improvements	91,503	13,680	0	105,183
Furniture and equipment	1,128,401	113,923	0	1,242,324
Total accumulated depreciation	3,299,875	267,995	0	3,567,870
Total capital assets being Depreciated, net	4,179,026	(73,814)	0	4,105,212
Governmental activities Capital assets, net	$ 4,239,356	(73,814)	27,423	4,138,119
Business type activities:				
Furniture and equipment	$ 79,331	0	0	79,331
Less accumulated depreciation	70,431	2,175	0	72,606
Business type activities Capital assets, net	$ 8,900	(2,175)	0	6,725

Depreciation expense was charged to the following functions:

Governmental activities:	
Instruction:	
Regular	$ 87,162
Other	1,322
Support services:	
Instructional staff	1,123
Plant operation and maintenance	5,579
Transportation	18,737
Unallocated	154,072
Total depreciation expense - governmental activities	$ 267,995
Business type activities:	
Food service operations	$ 2,175

(6) Long-term Liabilities

Changes in long-term liabilities for the year ended June 30 2015 are summarized below:

	Restated Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental Activities:					
Notes	$ 1,000,000	0	0	1,000,000	0
Capital lease	106,968	0	50,757	56,211	27,711
Early retirement	159,589	0	66,446	93,143	65,715
Compensated absences	6,164	3,995	6,164	3,995	3,995
Net pension liability	2,372,836	0	856,544	1,516,292	0
Net OPEB liability	143,924	32,259	0	176,183	0
Total	$ 3,789,481	36,254	979,911	2,845,824	97,421
Business type activities:					
Net pension liability	$ 85,474	0	30,856	54,618	0
Net OPEB liability	9,758	2,187	0	11,945	0
Total	$ 95,232	2,187	30,856	66,563	0

Notes Payable

During the year ended June 30, 2009, the District issued Capital Loan Notes (Qualified Zone Academy Bonds) to provide funds for the equipping, rehabilitation and repair of the School. The notes bear no interest and are payable from the Statewide Sales, Services and Use Tax Fund. On February 12 of each year commencing February 12, 2010, there shall be deposited from the Statewide Sales, Services and Use Tax Fund to the Escrow Fund $ 84,400 to be invested in accordance with the Investment Agreement and held in trust for the benefit of the holders of the Note until final maturity February 12, 2019. In any year in which taxable valuations within the District are of an amount that the tax collections will be less that $ 84,400, the District will certify to each County Auditor an additional tax levy to the full extent of 45 cents per thousand dollars of assessed valuation. At June 30, 2015, the escrow account balance was $ 529,243.

During the year ended June 30, 2010, the District issued Capital Loan Notes (Qualified Zone Academy Bonds) to provide funds for the equipping, rehabilitation and repair of the School. The notes bear no interest and are payable from the PPEL Fund. On August 26 of each year commencing August 26, 2010, there shall be deposited from the PPEL Fund to the Escrow Fund $ 15,600 to be invested in accordance with the Investment Agreement and held in trust for the benefit of the holders of the Note until final maturity August 26, 2019. In any year in which taxable valuations within the District are of an amount that the tax collections will be less than $ 15,600, the District will certify to each County Auditor an additional tax levy to the full extent of 45 cents per thousand dollars of assessed valuation. At June 30, 2015, the escrow account balance was $ 15,788.

Detail of the District's indebtedness under these agreements in effect at June 30, 2015 is as follows:

Year Ending June 30,	February 12, 2009 Capital Loan Notes		August 26, 2009 Capital Loan Notes		
	Principal	Interest	Principal	Interest	Total
2019	$ 844,000	0	0	0	844,000
2020	0	0	156,000	0	156,000
Total	$ 844,000	0	156,000	0	1,000,000

Capital Lease

The District entered into a lease-purchase agreement in connection with the acquisition of computer equipment. Detail of the District's indebtedness under this agreement at June 30, 2015 is as follows:

Year Ending June 30,	July 1, 2013 @ 2.85%	
	Principal	Interest
2016	$ 27,711	1,602
2017	28,500	812
Total	$ 56,211	2,414

Early Retirement

In December, 2011, the District approved a voluntary early retirement plan for licensed employees. The plan was offered to employees until February 1, 2012. Eligible employees had to have completed ten (10) years of contracted service in the Valley Community School District, have reached age 55 and be at least half time to qualify for early retirement. Electing employees will receive $ 30,000 in accordance with one of the two following incentives: (a) a lump sum placed in a 403(b) account, or (b) single insurance coverage paid monthly at the health insurance premium rate up to $ 30,000.

At June 30, 2015, the District had obligations to one participant under the plan with a total liability of $ 11,091. Actual early retirement expenditures under this plan were $ 6,504 for the fiscal year ended June 30, 2015.

In November, 2012, the District approved a voluntary early retirement plan for certified employees. The plan was offered to employees until January 4, 2013. Eligible employees had to have completed ten (10) years of contracted service in the Valley Community School District, have reached at least age 55 on or before June 30, 2013, and be at least half time to qualify for early retirement. Electing employees will receive 80% of the employee's current (2012-2013) salary in accordance with one of the two following incentives: (a) payments into a 403(b) account in equal amounts over three (3) years, or (b) single insurance coverage paid monthly at the health insurance premium of the year of retirement. The certified employee is responsible for any increase in premium costs and for dependent insurance. If the employee indicates on the application form that the insurance coverage incentive will cease when the employee qualifies for Medicare or secures other employment in which the employer provides coverage, any remaining balance will be paid out in cash.

At June 30, 2015, the District had obligations to four participants under the plan with a total liability of $ 82,052. Actual early retirement expenditures under this plan were $ 59,942 for the fiscal year ended June 30, 2015.

(7) Pension Plan

Plan Description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report, which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Section 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service)
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member received benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

<u>Disability and Death Benefits</u> - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

<u>Contributions</u> - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed

5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were $ 252,573.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of $ 1,570,910 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.038817 percent, which was a decrease of 0.004601 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of $ 68,155. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 17,073	$ 0
Changes of assumptions	69,330	0
Net difference between projected and actual earnings on pension plan investments	0	599,123
Changes in proportion and difference between District contributions and proportionate share of contributions	0	211,366
District contributions subsequent to the measurement date	$ 252,573	0
Total	$ 338,976	810,489

$ 252,573 reported as deferred outflows of resources related to pension resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	$ (178,978)
2017	(178,978)
2018	(178,978)
2019	(178,978)
2020	(8,174)
Total	$ (724,086)

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates (expected returns, net of pension plan investments expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentge-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of The net pension liability	$ 2,968,305	$ 1,570,910	$ 391,476

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(8) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 63 active and 3 retired members in the plan. Participants must be age 55 or older at retirements.

The medical/prescription drug benefits are provided through a fully insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	$ 42,746
Interest on net OPEB obligation	3,842
Adjustment to annual required contribution	(9,891)
Annual OPEB cost	36,697
Contributions made	(2,251)
Increase in net OPEB obligation	34,446
Net OPEB obligation beginning of year	153,682
Net OPEB obligation end of year	$ 188,128

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed $ 2,251 to the medical plan. Plan members eligible for benefits contributed $ 13,008 or 85% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2015 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	$ 37,643	18.2%	$ 122,294
June 30, 2014	35,424	11.4	153,682
June 30, 2015	36,697	6.1	188,128

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was $ 303,233, with no actuarial accrued value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $ 303,233. The covered payroll (annual payroll of active employees covered by the plan) was approximately $ 2.508 million and the ratio of the UAAL to covered payroll was 12.1%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual and ultimate medical trend rates are 6%. An inflation rate of 0% is assumed for the purpose of this computation.

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000 (2/3 Female, 1/3 Male). Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

Projected claim costs of the medical plan are $ 554 per month for retirees less than age 65. The salary increase rate was assumed to be 2.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on a closed group basis over 30 years.

(9) Risk Management

Valley Community School District is exposed to various risks of loss related to torts; thefts; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims for these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Deficit Net Position

The Enterprise, School Nutrition Fund had a deficit net position of $ 60,269 at June 30, 2015. The deficit net position was a result of implementing Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB No. 27 during fiscal year 2015. The deficit will be eliminated as IPERS reduces its net pension liability.

(11) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled $ 181,784 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(12) Lease Commitments

The District has various leases for equipment which are classified as operating leases. Rent expenses for all operating leases for the year ended June 30, 2015 totaled $ 78,100.

Future minimum lease payments under the non-cancelable operating leases with initial or remaining terms of one year or more are as follows:

Year Ended June 30,	Amount
2016	$ 61,100
2017	40,300
2018	40,300
2019	40,300
2020	40,300

(13) Whole Grade Sharing Arrangement

The District has entered into a whole grade sharing agreement with the North Fayette Community School District effective July 1, 2013 and shall terminate on June 30, 2018 unless: terminated by majority vote of either District's Board of Education, extended longer by majority vote of each District's Board of Education, or termination by operation of law.

During the term of this agreement, each District shall maintain its own Pre-kindergarten through sixth grade. Grades seven and eight from both school districts will be located in the Valley Community School District facility. Grades nine, ten, eleven and twelve from both school districts will be located in the North Fayette Community School District facility. Both districts agree that arrangements for Special Education students will be made separately and billed back to the resident district as actual costs.

For the first two years of the agreement the Districts will share the actual cost of salaries added to each district for Whole Grade Sharing through the following:

A. Determine new certified salary costs to each district generated by whole grade sharing.

B. New salary and benefit costs in both districts will be prorated. Proration for each district will be calculated from the student population at the middle school or the high school as determined each semester on the first Monday of October and third Friday of February. The middle school/high school proration will be determined by dividing the individual district's population at the middle school or high school by the total enrollment of the middle school/high school respective population.

C. Projected costs to be estimated for budgeting purposes. Actual costs to be paid August 15.

(14) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2015 is comprised of the following programs:

Program	Amount
English as Second Language	$ 1,092
Returning dropout and dropout prevention program	1,490
Year 2+ Preschool Grant	53,831
Mentoring program	2,478
Early Intervention Block Grant	12,756
Early Literacy	22,645
Model Core Curriculum	21,603
Educator quality, professional development	5,893
Market factor	3,206
TLC planning	3,127
Total	$ 128,121

(15) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measuring Date.

In addition, an error was made in allocating previously reported net OPEB liability between governmental and business type activities.

Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred out flows of resources related to contributions made after the measurement date and the reallocation of the net OPEB liability is as follows:

	Governmental Activities	Business type Activities
Net position June 30, 2014, as previously reported	$ 5,194,572	19,350
Net pension liability at June 30, 2014	(2,372,836)	(85,474)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	223,420	8,049
Reallocation of net OPEB liability at June 30, 2014	9,758	(9,758)
Net position July 1, 2014, as restated	$ 3,054,914	(67,833)

REQUIRED SUPPLEMENTARY INFORMATION

VALLEY COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE OF
REVENUES, EXPENDITURES/EXPENSES AND CHANGES IN BALANCES-
BUDGET AND ACTUAL-ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2015

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts Original	Budgeted Amounts Final	Final to Actual Variance
Revenues:						
Local sources	$ 3,395,792	119,269	3,515,061	3,370,329	3,370,329	144,732
State sources	2,734,791	1,859	2,736,650	2,580,246	2,580,246	156,404
Federal sources	179,992	124,671	304,663	217,150	217,150	87,513
Total revenues	6,310,575	245,799	6,556,374	6,167,725	6,167,725	388,649
Expenditures/expenses:						
Instruction	4,286,276	-	4,286,276	4,300,977	4,500,000	213,724
Support services	1,674,231	106	1,674,337	1,924,576	1,924,576	250,239
Non-instructional programs	1,368	238,129	239,497	235,285	235,285	(4,212)
Other expenditures	273,981	-	273,981	240,286	300,000	26,019
Total expenditures/expenses	6,235,856	238,235	6,474,091	6,701,124	6,959,861	485,770
Excess (deficiency) of revenues over (under) expenditures/expenses	74,719	7,564	82,283	(533,399)	(792,136)	874,419
Balances beginning of year	2,384,668	(67,833)	2,316,835	1,947,202	1,947,202	369,633
Balances end of year	$ 2,459,387	(60,269)	2,399,118	1,413,803	1,155,066	1,244,052

See accompanying independent auditor's report and notes to required supplementary information-budgetary reporting.

VALLEY COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year Ended June 30, 2015

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except the Private Purpose Trust Fund. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by $ 258,737.

During the year ended June 30, 2015, expenditures in the non-instructional programs functions exceeded the amounts budgeted.

VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Last Fiscal Year
(In Thousands)
REQUIRED SUPPLEMENTARY INFORMATION

	2015
District's proportion of the net pension liability	.038817%
District's proportionate share of the net pension liability	$ 1,571
District's covered payroll	2,592
District's proportionate share of the net pension liability as a percentage of its covered payroll	60.61%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

See accompanying independent auditor's report and notes to required supplementary information-pension liability.

VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Last 10 Fiscal Years
(In Thousands)
REQUIRED SUPPLEMENTARY INFORMATION

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	$ 253	231	243	246	220	194	189	168	160	154
Contributions in relation to the statutorily required contribution	253	231	243	246	220	194	189	168	160	154
Contribution deficiency (excess)	$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	$ 2,828	2,592	2,702	3,054	3,163	2,912	2,979	2,771	2,779	2,686
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

See accompanying independent auditor's report and notes to required supplementary information-pension liability.

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
(In Thousands)
REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	$ -	262	262	0.0%	$ 2,476	10.6%
2011	July 1, 2009	-	266	266	0.0	2,854	9.3
2012	July 1, 2009	-	266	266	0.0	2,739	9.7
2013	July 1, 2012	-	322	322	0.0	2,631	12.2
2014	July 1, 2012	-	319	319	0.0	2,329	13.7
2015	July 1, 2012	-	303	303	0.0	2,508	12.1

See Note 8 in the accompanying notes to Financial Statements for the plan description, fund policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

SUPPLEMENTARY INFORMATION

VALLEY COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2015

	Special Revenue			
	Management Levy	Student Activity	Debt Service	Total
ASSETS				
Cash and pooled investments	$ 132,262	40,018	-	172,280
Receivables:				
Property tax:				
Delinquent	3,804	-	-	3,804
Succeeding year	286,806	-	-	286,806
TOTAL ASSETS	$ 422,872	40,018	-	462,890
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 59	1,170	-	1,229
Due to other funds	52,438	-	-	52,438
Total liabilities	52,497	1,170	-	53,667
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	286,806	-	-	286,806
Fund balances:				
Restricted for:				
Management levy purposes	83,569	-	-	83,569
Student activities	-	38,848	-	38,848
Total fund balances	83,569	38,848	-	122,417
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 422,872	40,018	-	462,890

See accompanying independent auditor's report.

VALLEY COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2015

	Special Revenue			
	Management Levy	Student Activity	Debt Service	Total
Revenues:				
Local sources:				
Local tax	$ 230,205	-	-	230,205
Other	10,279	30,047	32,208	72,534
State sources	967	-	-	967
Total revenues	241,451	30,047	32,208	303,706
Expenditures:				
Current:				
Instruction:				
Regular	69,878	-	-	69,878
Other	-	31,620	-	31,620
Support services:				
Student	1,308	-	-	1,308
Instructional staff	1,950	-	-	1,950
Administration	39,715	-	-	39,715
Plant operation and maintenance	99,920	-	-	99,920
Transportation	10,258	-	-	10,258
Non-instructional programs	1,368	-	-	1,368
Other expenditures:				
Long-term debt:				
Principal	-	-	50,756	50,756
Interest	-	-	2,370	2,370
Total expenditures	224,397	31,620	53,126	309,143
Excess (deficiency) of revenues over (under) expenditures	17,054	(1,573)	(20,918)	(5,437)
Other financing sources:				
Operating transfers in	-	-	20,918	20,918
Change in fund balances	17,054	(1,573)	-	15,481
Fund balances beginning of year	66,515	40,421	-	106,936
Fund balances end of year	$ 83,569	38,848	-	122,417

See accompanying independent auditor's report.

Schedule 3

VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2015

Account	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
Interest	$ -	157	-	(157)	-
Drama	4,410	-	1,548	-	2,862
Junior High Drama	2,742	546	562	-	2,726
Vocal Music	-	522	1,800	1,278	-
Instrumental Music	2,735	1,086	2,375	-	1,446
Band Carnival	4,791	-	316	-	4,475
Band Uniforms	3,141	-	-	938	4,079
Music Fundraisers	-	-	-	2,413	2,413
Junior High Athletics	-	14,836	10,494	(4,342)	-
Girls' Track Fundraiser	3,101	-	300	-	2,801
Cross Country Fundraiser	2,175	-	-	-	2,175
Golf Fundraiser	902	-	603	-	299
Boys' Basketball Fundraiser	1,357	-	-	-	1,357
Football Fundraiser	1,723	-	128	-	1,595
Baseball Fundraiser	2,132	-	-	-	2,132
Wrestling Fundraiser	244	-	-	-	244
Girls' Basketball Fundraiser	605	-	-	-	605
Volleyball Fundraiser	401	-	-	-	401
General Athletics	2,571	205	208	-	2,568
Student O	3,452	1,532	1,653	-	3,331
FCS Club	-	644	-	-	644
FFA	786	7,507	8,312	19	-
Junior High Student Council	2,175	3,012	2,492	-	2,695
Class of 2015	978	-	829	(149)	-
TOTAL	$ 40,421	30,047	31,620	-	38,848

See accompanying independent auditor's report.

VALLEY COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
CAPITAL PROJECT ACCOUNTS
June 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash, cash equivalents and pooled investments	$ 1,214,840	259,319	1,474,159
Receivables:			
Property tax:			
Delinquent	-	1,519	1,519
Succeeding year	-	96,598	96,598
Due from other funds	28,985	-	28,985
Due from other governments	-	69,106	69,106
TOTAL ASSETS	$ 1,243,825	426,542	1,670,367
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 43,322	16,369	59,691
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	96,598	96,598
Income tax surtax receivable	-	69,106	69,106
Total deferred inflows of resources	-	165,704	165,704
Fund balances:			
Restricted for:			
Debt service	545,031	-	545,031
School infrastructure	655,472	-	655,472
Physical plant and equipment	-	244,469	244,469
Total fund balances	1,200,503	244,469	1,444,972
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 1,243,825	426,542	1,670,367

See accompanying independent auditor's report.

VALLEY COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
CAPITAL PROJECTS ACCOUNTS
Year Ended June 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	$ -	162,724	162,724
Other	42,029	677	42,706
State sources	314,529	384	314,913
Federal sources	10,000	-	10,000
Total revenues	366,558	163,785	530,343
Expenditures:			
Current:			
Instruction:			
Regular	39,960	611	40,571
Support services:			
Instructional staff	-	8,640	8,640
Plant operation and maintenance	70,228	70,578	140,806
Transportation	65,350	1,543	66,893
Other expenditures:			
Facilities acquisition	36,137	2,934	39,071
Total expenditures	211,675	84,306	295,981
Excess of revenues over expenditures	154,883	79,479	234,362
Other financing uses:			
Operating transfers out	(20,918)	-	(20,918)
Change in fund balances	133,965	79,479	213,444
Fund balances beginning of year	1,066,538	164,990	1,231,528
Fund balances end of year	$ 1,200,503	244,469	1,444,972

See accompanying independent auditor's report.

VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
Year Ended June 30, 2015

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Cash	$ 246	7,830	8,059	17
LIABILITIES				
Accounts payable	$ 246	7,830	8,059	17

See accompanying independent auditor's report.

Schedule 7

VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
For the Last Ten Years

	Modified Accrual Basis									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	$ 1,942,810	2,129,007	2,418,199	2,117,779	1,782,495	1,909,933	1,894,099	1,906,664	1,775,571	1,778,963
Tuition	951,572	989,807	185,326	160,107	209,449	138,133	91,017	113,533	106,734	85,134
Other	501,410	396,081	323,332	365,583	403,740	373,340	349,125	296,143	263,299	329,152
Intermediate sources	-	-	-	-	-	-	-	-	6,460	-
State sources	2,734,791	2,523,055	2,551,252	2,502,761	2,562,210	2,246,320	2,640,325	2,783,929	2,624,274	2,533,585
Federal sources	179,992	454,958	371,697	297,125	348,221	566,768	280,828	209,152	197,139	225,582
Total	$ 6,310,575	6,492,908	5,849,806	5,443,355	5,306,115	5,234,494	5,255,394	5,309,421	4,973,477	4,952,416
Expenditures:										
Instruction:										
Regular	$ 2,992,269	2,722,331	1,972,437	2,204,464	1,991,802	2,252,887	1,843,788	1,896,250	1,804,343	1,658,069
Special	1,201,696	1,186,284	814,368	963,387	1,157,964	1,001,149	874,493	851,606	885,510	899,263
Other	92,311	162,768	422,911	318,826	296,422	346,875	278,325	274,651	264,223	306,623
Support services										
Student	118,683	120,215	127,182	125,589	138,701	191,771	181,668	152,853	108,143	106,469
Instructional staff	263,447	264,034	265,252	171,491	240,901	238,485	163,025	145,670	143,392	146,601
Administration	461,744	461,108	453,590	580,452	611,361	559,277	522,636	491,057	512,477	537,970
Plant operation and maintenance	591,221	465,142	402,333	499,291	448,853	530,620	731,418	387,980	363,446	458,363
Transportation	239,136	258,345	189,393	171,692	206,585	341,598	226,657	216,711	208,027	156,996
Non-instructional programs	1,368	2,372	3,054	2,968	2,547	1,563	793	1,458	1,318	2,712
Other expenditures:										
Facilities acquisition	39,071	648,993	238,338	37,455	34,762	551,525	81,255	35,575	112,109	43,597
Long-term debt:										
Principal	50,756	702,707	164,652	156,095	165,999	177,519	104,696	221,671	220,000	220,000
Interest	2,370	2,532	10,879	18,436	26,127	20,136	22,371	30,333	37,954	46,747
AEA flowthrough	181,784	182,951	179,488	179,347	203,209	201,734	186,928	186,469	177,469	172,207
Total	$ 6,235,856	7,179,782	5,243,877	5,429,493	5,225,233	6,415,139	5,218,053	4,892,284	4,838,411	4,755,617

See accompanying independent auditor's report.

Dietz, Donald & Company
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education of
Valley Community School District

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Valley Community School District as of and for the year ended June 30, 2015, and the related Notes to Financial Statements which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 20, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Valley Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Valley Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Valley Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identity all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-15 and I-B-15 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Valley Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Valley Community School District's Responses to the Findings

Valley Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Valley Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Valley Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Elkader, Iowa

Dietz, Donald & Company

November 20, 2015

Dietz, Donald & Company
Certified Public Accountants
FEIN 42-1172392

VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
Year Ended June 30, 2015

Part I: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

I-A-15 Financial Reporting - During the audit we identified a material amount of receivables not recorded in the District's financial statements. In addition, expenditures for early retirement were recorded in the wrong fund. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation - The District should implement procedures to ensure that all receivables are identified and included in the District's financial statements and that all expenditures are recorded in the proper fund.

Response - We will double check these in the future to avoid missing any receivables or improperly recording expenditures in the wrong fund.

Conclusion - Response accepted.

I-A-15 Restrict Access to Prior-period Data - As we began our audit, we noted that some general ledger opening balances did not agree with the final-period balances per our prior-year audit work papers. We determined that after all prior-year adjustments were recorded last year and the audited financial statements prepared, District personnel accidentally posted transactions to prior fiscal years.

Recommendation - The District should contact the software provider to determine how to set a closing date that software users cannot add or change transactions on or before that date. The software would not allow any access to be denied to the District's business manager. Thus, the business manager would be able to add, change or delete a transaction dated on or before the closing date, even though the closing date is set. However, if the business manager tried to do so, the software would display a message noting that the transaction's date is prior to the closing date, warn that making the change will affect the accounting and ask whether to make the change. That message might help prevent the business manager from accidentally posting a transaction that affects a prior fiscal period.

I-B-15 Restrict Access to Prior-period Data (continued):

Response - We will contact our software provider to determine how to limit access to prior-period financial information.

Conclusion - Response accepted.

INSTANCES OF NONCOMPLIANCE

No matters were noted.

Part II: Other Findings Related to Statutory Reporting

II-A-15 Certified Budget - Expenditures for the year ended June 30, 2015 exceeded the certified budget amounts in the non-instructional programs function.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - Future budgets will be amended in sufficient amounts to ensure the budget is not exceeded.

Conclusion - Response accepted.

II-B-15 Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's Opinion dated April 25, 1979 were noted.

II-C-15 Travel Expense -No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-15 Business Transactions - No business transactions between the District and District officials or employees were noted.

II-E-15 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
Year Ended June 30, 2015

II-F-15 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.

II-G-15 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

II-H-15 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-15 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12 C of the Code of Iowa and the District's investment policy were noted.

II-J-15 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.

II-K-15 Categorical Funding - No instances of categorical funding being used to supplant rather than supplement other funds were noted.

II-L-15 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain elements related to the statewide sales, services, and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		$ 1,066,538
Revenues:		
Sales tax revenues	$ 314,529	
Other local revenues	42,029	
Federal revenues	10,000	366,558
		1,433,096

II-L-15 Statewide Sales, Services and Use Tax (continued):

Expenditures/transfers out:		
Equipment	$ 175,538	
Facilities acquisition	36,137	
Transfers to debt service fund	20,918	232,593
Ending balance		$ 1,200,503

For the year ended June 30, 2015, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

II-M-15 Deficit Net Position - At June 30, 2015, the Enterprise, School Nutrition Fund had a deficit net position of $ (60,629).

Recommendation - The District should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial condition.

Response - The deficit net position was a result of implementing Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27 during fiscal year 2015, which required restatement of the Enterprise, School Nutrition Fund's net position and share of the net position liability at June 30, 2014. If IPERS continues to make progress in reducing the pension liability and the Enterprise, School Nutrition Fund operates at a profit, this deficit should be eliminated over the next several years.

Conclusion - Response accepted.

II-N-15 Revenue Bonds - The District has not made required deposits into the escrow account for the August 29, 2009 Qualified Zone Academic Bonds issue.

Recommendation - The District should transfer $ 62,400 to the escrow account to catch up the account and then make annual transfers of $ 15,600 until the bonds mature.

Response - We will do this.

Conclusion - Response accepted.